

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 DODE-00 INR-07 NSAE-00

PA-01 USIA-06 PRS-01 SP-02 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

L-03 /058 W

----- 130132

R 222145Z DEC 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 2355

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

AMEMBASSY PANAMA

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PASS ROCAP

E.O. 11652: N/A

TAGS: ECON, ETRD, CS

SUBJECT: ALTERNATIVE BALANCE OF PAYMENTS PACKAGE

REF: SAN JOSE 5336

1. OVER THE WEEKEND, A SERIES OF STORIES APPEARED IN THE LOCAL PRESS STATING THAT COSTA RICA WILL NOT IMPOSE FOREIGN EXCHANGE SURCHARGES AND INSTEAD, WILL RESORT TO A SERIES OF TAX MEASURES PLUS INCREASED AUSTERITY IN GOVERNMENT EXPENDITURES AND SALARIES, PLUS A SERIES OF OTHER MEASURES TO IMPROVE THE BALANCE OF PAYMENTS. THE EARLIER STORIES QUOTED SOURCES IN THE OFFICE OF THE PRESIDENT AND LATER STORIES IDENTIFIED FERNANDO NARANJO, DIRECTOR GENERAL DE COORDINACION DE LA PRESIDENCIA, AS CONFIRMING THE CONTENT OF THE EARLIER STORIES.

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2. THE TAX PACKAGE PROPOSED BY THE MINISTRY OF THE PRESIDENCY, WHICH WOULD YIELD AN ESTIMATED 200 MILLION COLONES PER YEAR, WOULD INCLUDE THE FOLLOWING:

1. AN INCREASE IN INCOME TAX RATES FOR HIGHER INCOME PERSONS AND CORPORATIONS;
2. AN INCREASE IN FAMILY DEDUCTIONS TO HELP LOW INCOME PERSONS;
3. TAXES ON THE DIVIDENDS OF CORPORATIONS WITH BEARER SHARES;
4. DOUBLING THE TAXES FROM 20 PERCENT TO 40 PERCENT ON REMITTANCES ABROAD OF DIVIDENDS AND ROYALTIES AND ON CONSULTANT FEES;
5. A TAX OF 3 PERCENT ON REAL ESTATE TRANSACTIONS, EXCEPT FOR TRANSACTIONS OF LESS THAN 50,000 COLONES.

3. THE GOVERNMENT AUSTERITY PROGRAM PROPOSED BY THE MINISTER OF THE PRESIDENCIA WOULD INCLUDE THE NON-EXPENDITURE OF FROM 150 MILLION TO 200 MILLION COLONES ALREADY IN THE BUDGET WHICH WOULD REPRESENT A DECREASE OF 7 PERCENT IN 1976 BUDGET. AUTONOMOUS INSTITUTES WOULD BE ASKED TO MAKE SIMILAR REDUCTIONS. SALARY INCREASES, WHICH IN COSTA RICA ARE DECREED BY THE GOVERNMENT FOR MANY DIFFERENT ORGANIZATIONS, WOULD BE HELD TO THE INDESPENSABLE MINIMUM.
TODMAN

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Message Attributes

Automatic Decaptioning: X
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Margaret P. Grafeld
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